

# Industry Update

September 2006 - *Anniversary Edition*



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KWE Bangalore – India HQ

## The *Industry Update* – The First Year of Publication

Dear GSC Customers and Readers,



Time flies like an arrow - a year has already passed since we distributed the first edition of the *Industry Update* on September 15, 2005. I hope that you are enjoying reading the *Industry Update* and that you have found the articles to be useful and interesting.

We began publishing the *Industry Update* to address important industry, market and KWE news for our GSC accounts and account management teams. As of today, we send our newsletter to 1,898 GSC customers and 210 KWE personnel internally. Because there are limited methods to communicate directly with our customers, through this newsletter, we share KWE global activity to our clients. Until now, this communication has been one way, but we would like to make it two ways with our customers' participation. In creating each issue, we have kept the needs of our customers in mind. While it is always our goal to publish useful articles, perhaps there is a field or subject that we have not yet covered that may be of interest to you. We would like to ask for your feedback to help us improve each issue. Please feel free to send any comments or suggestions to [marketing@am.kwe.com](mailto:marketing@am.kwe.com) cc to [frank.fujita@ao.kwe.com](mailto:frank.fujita@ao.kwe.com).

Lastly, I'd like to express my sincere appreciation for the hard work of our global editing team.

Thank you for reading!

Sincerely,  
Frank Fujita  
V.P. GSC WHO

## KWE India Opens Ahmedabad Office

On August 17, KWE India opened its 7<sup>th</sup> office in Ahmedabad. The Ahmedabad office is a full service location offering Air Exports/Air Imports, Ocean Exports/Ocean Imports, Air & Ocean Freight Consolidation, Customs Clearance and Warehousing & Distribution.

*Continued on page 7.*

## Carrier News



- The US Treasury has moved to suspend the operations of Great Wall Airlines, a cargo air carrier joint venture between Singapore Airlines, Temasek and Great Wall Industries, in the United States. This sanction comes from the reported involvement of Great Wall Industries in supplying missile components to Iran. The carrier has not been directly implicated in these accusations, however, it is unable to operate in the US until this situation has been resolved. The carrier currently operates two 747 aircraft from Shanghai's Pudong airport.
- Hanjin has ordered five 10,000 TEU containerships making it the first Korean steamship line with this size vessel.
- On August 22, Evergreen launched the sixth of its ten new 7,024 TEU containerships. This vessel, the Ever Steady will be delivered in December. The fifth vessel in this series, the Ever Superb, will be delivered in late August.
- On August 24, Korean Air launched twice weekly cargo service to Stockholm from its hub in Incheon. KE now offers service to three Nordic countries with regular flights to Copenhagen, Oslo and Stockholm. With the addition of the Stockholm route, Korean Air now operates cargo flights to 41 cities in 24 countries.
- The US Dept of Transportation (DOT) has awarded Polar Air Cargo four additional weekly frequencies for US-China air cargo service, beginning March 25, 2007. With these additional frequencies, the carrier will offer sixteen weekly flights to China; the new frequencies will be used to launch PO's Beijing service.
- On September 1, Polar announced enhanced service ex Atlanta to Tokyo, Seoul, Shanghai and Hong Kong. Increased frequencies allow for additional cargo routings out of Atlanta.
- United has applied for a non-stop routing between Washington D.C. and Beijing. If approved, this will be the first non-stop flight between the two capital cities.
- China Airlines will launch Taipei-Houston service on September 30.
- On September 6, Korean Air started offering a second weekly freighter flight from Basel, Switzerland to Incheon. This flight, which was added to support peak season traffic, will remain on the schedule until the end of November.
- In September, both KE and LH began offering additional freighter flights out of Incheon.
- Many carriers have started implementing peak season air freight rate increases.

## Boeing Rolls out the First 747 LCF



Boeing 747-400 LCF

Last month, the first of three Boeing 747-400 Large Cargo Freighters (LCF) was unveiled at Taipei's Chiang Kai-Shek International Airport. The LCF is a specially designed 747 freighter which will be used to transport assemblies for the new Boeing 787 Dreamliner aircraft. The modifications were performed by Evergreen Aviation Technologies (EGAT), a joint venture of EVA Air and General Electric and a part of Taiwan's Evergreen Group.

The first LCF will undergo various ground testing and an initial ferry flight. The second LCF is expected to be ready this fall, and work on the third will begin next year. For more information on Boeing aircraft, please visit [www.boeing.com](http://www.boeing.com).

KWE is a supplier for the 787 program. For more information on KWE's Aerospace Services, please visit: [http://www.kweusa.com/services/specialized\\_services.asp](http://www.kweusa.com/services/specialized_services.asp).

## Lufthansa Announces Important Changes to Surcharges

In terms of fuel surcharge application and methodology, Lufthansa (LH) has long been considered an industry benchmark. In response to ever changing conditions, LH has announced significant alterations to their surcharges. The following is a direct excerpt from the LH announcement which was received by KWE USA on August 31, 2006.

"Lufthansa Cargo is adjusting its surcharges on 1 October 2006. The changes that will take effect on that date are explained below.

In the future, the method for calculating the fuel surcharge will more directly reflect developments on the spot markets. From October, the daily Fuel Price Index (FPI) will no longer be based upon the average price for the preceding five working days, but upon the actual day rate. Furthermore, the spot market "North West Europe" will replace "Mediterranean" in the relevant set of spot market prices composing the FPI. In addition, the spot market weighting will in the future take greater account of the fuelling location and thereby will reflect costs more accurately. What this means for you is that the fuel surcharge will be more closely linked to current market developments. Lufthansa Cargo is thus making the system more responsive to changes in overall fuel prices and more comprehensible for you.

In response to the rise in security costs, from 1 October 2006 the security surcharge will no longer be levied on the basis of "actual weight" but instead on the basis of "chargeable weight". This measure is in recognition of the fact that the costs of security checks (e.g. warehouse area, scanning), depend on the volume of a consignment. Furthermore, the security surcharge will vary selectively according to the specific market.

From 1 October 2006, customs fees for the United States (US Customs Fee), Canada (Canadian Customs Fee) and India will be classed under the heading "HAWB Data Transmission Fee". As a further incentive to customers to transmit data to us electronically, we are lowering the transmission fee by 50 %, from €2 to €1. From October, the fee for manually transmitted AWBs will be raised from €8 to €10 to take account of the higher administration costs involved."

As always, KWE will continue to report any changes to surcharges such as these through the *Industry Update* or at [www.kweusa.com/newsroom](http://www.kweusa.com/newsroom).

## Full Operational Transfer to New Bangkok Airport on September 28

The new Bangkok International Airport, Suvarnabhumi, will officially open on Thursday, September 28 replacing the existing Bangkok international airport, Don Muang. All air traffic must be routed to Suvarnabhumi as of 03:00 on the 28<sup>th</sup>. At this time, the fate of Don Muang airport is unknown.

### Suvarnabhumi Quick Facts

- The new airport will replace the current Bangkok International Airport for all commercial air traffic.
- The new airport boasts the world's tallest control tower at 132.2m and the largest single building and airport terminal at 563,000m<sup>2</sup>.
- From Sept. 15 - Sept. 27, the three letter airport code for Suvarnabhumi will be NBK. After Sept. 28, the three letter code will be BKK. The three letter code for Don Muang will be DMK after the 28<sup>th</sup>.

*(Continued on following page.)*

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*Effective October 1,  
Lufthansa Will Assess the  
Security Surcharge  
Based on Chargeable  
Weight*

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*New Suvarnabhumi  
Airport Will Replace  
Don Muang Airport in  
Bangkok*

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## New Bangkok Airport cont'd.

- Trial flights were allowed until Sept. 14.
- From Sept. 15 – Sept. 27, carriers wishing to use the new airport will not be assessed any landing, parking or check-in counter fees.
- Carriers have already started moving equipment to the new airport, but most major moves are scheduled for Sept. 27.



New Bangkok International Airport

With any airport transition of this size, delays and operational interruptions are possible. KWE Thailand has been working very closely with government and airport officials as well as key carriers to prepare for the shift. At this time, neither Thai Customs nor the Thailand Airport Authority has provided any final directives or instructions with regards to operational activity to, from or within the new airport.

To address any possible service interruptions resulting from the move, KWE Thailand has developed several contingency plans which cover alternate routings and service options for international air cargo. Following is a brief overview of these plans:

Contingency Plan A: Thailand air export shipments would be routed to Malaysia via truck for re-forwarding.

Contingency Plan B: Thailand air export shipments would be routed to Singapore via ocean for re-forwarding.

Contingency Plan C: Thailand air export shipments to Asian destinations would be sent by ocean freight.

For extremely urgent shipments, KWE Thailand will also offer hand carry services. KWE Thailand further suggests that, where possible, production volumes from Thailand are ramped up in advance of the airport opening in order to ensure additional buffer stock is available at destination.

Customers with any questions or concerns are encouraged to contact their local KWE representative or KWE Thailand.

## Top Cargo Airlines

In its September 2006 issue, *Air Cargo World* published a listing of the world's top 50 cargo airlines based on freight-tonne kilometers. KWE works extensively with 40 of the top 50 cargo carriers. A brief excerpt of the top 15 carriers is provided below; for a complete listing, please visit [www.aircargoworld.com](http://www.aircargoworld.com).



Carrier	Country	FTKs (mil)	Change
FedEx Express	USA	14,408	-1.2%
UPS	USA	9,075	23.4%
Korean Air	South Korea	8,072	-2.3%
Lufthansa	Germany	7,680	-4.5%
Singapore Airlines	Singapore	7,603	6.4%
Cathay Pacific	Hong Kong	6,458	9.9%
China Airlines	Taiwan	6,037	7.0%
Atlas Air	USA	6,002	8.4%
Air France	France	5,532	2.7%
EVA Air	Taiwan	5,285	-3.5%
Cargolux	Luxembourg	5,149	10.3%
Japan Airlines	Japan	4,817	-2.2%
British Airways	UK	4,767	-0.2%
KLM	Netherlands	4,646	2.4%
Emirates	UAE	4,192	14.5%

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*Extensive Recent  
Recalls for Safety  
Hazards Have  
Prompted Officials to  
Evaluate Regulations for  
Handling Lithium-ion  
Batteries*

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## New Rules Possible for Shipments of Lithium Batteries

After extensive safety studies conducted by the Federal Aviation Administration (FAA) and other US government agencies, new regulations for the handling of shipments of lithium-ion batteries, which are used to power laptops and other portable electronic devices, are expected to be proposed. At this time, very little about the details or timing of the proposals is known, however, the Pipeline and Hazardous Materials Safety Administration, the agency which regulates the transportation of hazardous goods, has indicated that it will soon permanently enforce an interim ban from 2004 which prohibits the carriage of an earlier generation of non-rechargeable lithium batteries by commercial aircraft.

Before issuing new regulations, the FAA will conduct various cost-impact studies to determine how any new rules will impact air carriers. New regulations are not expected to affect passengers wishing to carry devices with lithium-ion batteries on board.

KWE will continue to monitor the development of any regulations changes regarding the handling of lithium-ion batteries.

## Expansion at Hamilton Port in Canada

The Port Authority has reached an agreement with Stelco Inc. to purchase the Rod Mill on Pier 22, which includes 103 acres of waterfront property. Plans for the property call for construction of a new wharf, expanded cargo handling facilities, increased frontage on the harbor for additional berths and the reallocation of various commodities with the overall goal of improving the port's efficiency. The additions should come online by 2008. Today the port handles more than 12 million tons of cargo and over 700 vessel calls per year. The vast majority of the port's business is bulk; about three quarters of that is iron ore. Like other Great Lakes ports, the port is seeking to increase its outbound cargo by promoting special service advantages like its grain elevator and special project cargo services.

The Port of Hamilton is looking to grow its business to one million TEUs per year - partly as a result of attracting Asian freight that wants to avoid congested West Coast ports. The hope is to have several 1,000 TEU ships serve this lane for 10 months of the year providing 4.5 to 5-day service from Halifax to Hamilton. Port of Hamilton is also involved in MarineLink, a plan to introduce a short sea alternative for cross-border trade.

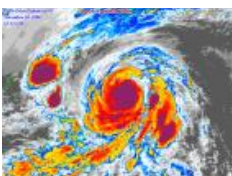
Seaway Marine Transport (SMT), which manages the biggest Canadian fleet on the Great Lakes, has joined forces with several partners to develop services to carry ferry trailers across Lake Ontario from Hamilton, ON to Oswego, NY, and crossing Lake Erie from Nanticoke, Ontario to Erie, Pennsylvania. The former service would deploy two vessels, and the latter would use one vessel making a daily round trip.

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*The Hamilton Port  
Authority Has Taken  
Another Important Step  
In Its Plans to Diversify Its  
Operations*

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## Typhoon Season in Asia



Several Asian nations have already been hard hit by strong storms during this year's typhoon season. As published in previous issues of the *Industry Update*, KWE highly recommends that customers with freight originating in or out bound for Asia take extra precautions in the form of additional packaging during this season. KWE would be pleased to provide packing advice which will help prevent any water or wind damage from the severe storms. KWE would also like to point out that there are some transit delays - especially for ocean freight - during the typhoon season. For additional information, please contact your local KWE office.

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*At the Center of  
Debate is the State of  
Current Doha Round  
Discussions*

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*Please Contact CTCG  
for Additional  
Information*

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## US Generalized System of Preferences (GSP) to Expire Dec. 31 Unless Extended by Congress

On December 31, 2006, the Generalized System of Preferences (GSP), the program that extends reduced or duty free status to goods imported from developing countries, will expire unless extended by an act of Congress. If GSP is allowed to expire, importers will be required to deposit estimated duties against subject imports until GSP renewal is enacted, possibly well into the 2007 calendar year.

As it has happened in the past, possible GSP renewal will be made retro-effective to January first, and importers that make the initial claim for GSP preferential status will automatically receive their refunds of estimated duty (plus interest) without filing any formal refund request. However importers that do not declare the GSP eligibility status of goods at the time of entry must undergo a detailed process of filing post entry corrections that in most cases must include evidence to support

What is at the center of debate is the state of current Doha round discussions, a multilateral trade negotiation that includes preferential reduced or duty free provisions, which have stalled over this past year. Many feel that successful Doha negotiations would eliminate the need for such unilateral preference programs such as GSP.

Leading members of Congress as well as the Senate Finance Committee Chair Charles Grassley has advised that they will likely oppose GSP renewal or tighten eligibility requirements (13 countries may lose eligibility status if renews) unless certain countries benefiting most from GSP do more to support the DOHA negotiations. Senator Grassley has criticized Brazil and India as holding up the Doha negotiations over such issues as agriculture protections.

The National Brokers Association this month will attend the annual Government Affairs Conference (G.A.C.) in Washington D.C. and will lobby law makers to renew GSP on behalf of U.S. importers. At the time of writing, the policy committee of the American Association of Exporters and Importers is in the process of surveying its members to help determine its next course of action as relating to this matter.

The Corporate Trade & Compliance Group of KWEUS will continue to monitor this critical issue. For further information, you may contact the CTCG at the following email address:

[Customs.Compliance.Group@am.kwe.com](mailto:Customs.Compliance.Group@am.kwe.com).

## KWE Italy Handles Charter Shipment

Last month KWE Milan handled an airfreight charter shipment from Italy to Japan. The shipment contained a fire extinguishing mobile unit; the size of the cargo required the use of the Antonov 124-100. All operations were supervised by Mr. Paolo Odoli, MD KWE Italy and Mr. Masafumi Otake, Chief Manager, KWE Japan Import. The shipment went very smoothly, and the manufacturer was impressed with KWE's professional handling and customer service.

Photos of the loading of this charter shipment are provided to the left. For more information on this interesting shipment or charter services, please contact KWE Milan.



For more information, please visit [www.kweusa.com/newsroom](http://www.kweusa.com/newsroom)

## KWE India Opens Ahmedabad Office (cont'd)



KWE India

As the commercial capital for the state of Gujarat, Ahmedabad is a strategic location due to its central location. Ahmedabad has a growing international airport and is located in close proximity to the ports of Mundra, Kandla, Pipavav and JNPT. Through its new office in Ahmedabad, KWE will serve clients throughout the Gujarat region.

India is a key target market for KWE due to the tremendous growth in that nation over the past several years. With the opening of the Ahmedabad facility, KWE further solidifies its position as a full service logistics provider in India.

### KWE India Quick Facts

- 7 KWE Locations (Ahmedabad, Bangalore, Chennai, Delhi, Hyderabad, Kolkata & Mumbai)
- 2 Agent Locations (Cochin & Trivandrum)
- Established in 1997
- 80 Employees
- 11,000 ft<sup>2</sup> Warehouse Space

### KWE Ahmedabad Contact Details:

Address: 1002, "SHITIRATNA", Near Panchvati Cross Road, Off C.G. Road, Ellisebridge, AHMEDABAD 380006, Gujarat, India

Tel: 0091-79-26440299

Fax: 0091-79-26440186

e-mail: [amds@ao.kwe.com](mailto:amds@ao.kwe.com)



KWE Montreal

## KWE Montreal Relocates

On September 11, KWE Montreal began operations at its new facility which is located just 5km from the Montreal International Airport. The new facility features 15,032 ft<sup>2</sup> of warehouse space with 3 dock doors and 22 ft ceilings and a state-of-the-art integrated security system with motion detectors, glass break sensors, surveillance cameras, digital video recorder and 24 hour monitoring by a security guard. KWE Montreal hopes to obtain bonded status for the new facility by the end of the year.

## Medical and Cosmetic Licenses Obtained by Baraki Terminal

KWE Japan 4th Baraki Terminal obtained its Medical Devices manufacturing license on April 28 and later received its Cosmetics manufacturing license on July 21. These licenses are required for importing medical devices and cosmetics under the revised Medical Act and are critical to KWE's "Valuable Logistics" project strategy.

KWE Japan's Logistics Department launched the project team immediately following the enforcement of the revised Medical Act. In obtaining these licenses, KWE will be able to meet the various needs of our medical and cosmetics customer and provide them with highly qualified services. Furthermore, by achieving ISO 13485, KWE Japan aims to enhance customer satisfaction and quality by serving as a "one-stop service" from import to distribution.



KWE Baraki Terminal

## Holiday Schedule – October 2006

2 OCT	Labour Day – Australia	KWE Offices Closed
2 OCT	National Day – China, HKG	KWE Offices Closed
3 OCT	Foundation Day – Korea	KWE Offices Closed
3 OCT	National Day - Germany	KWE Offices Closed
9 OCT	Columbus Day – USA	Gov't Offices Closed
9 OCT	Thanksgiving – Canada	KWE Offices Closed
10 OCT	National Day – Taiwan	KWE Offices Closed
21 OCT	Deepavali – Singapore	KWE Offices Closed
24 OCT	Hari Raya Puasa – Singapore	KWE Offices Closed
30 OCT	Chung Yeung Festival – HKG	KWE Offices Closed
31 OCT	Halloween	Regular Operations
31 OCT	Reformations Day – Germany	Regular Operations

SEPTEMBER 2006						
S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

OCTOBER 2006						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

## Fuel Surcharge Monitor

The fuel index, as reported by Lufthansa Cargo is diagrammed below.

LH Fuel Index		
Week Ended	Index	Fuel Surcharge
18 AUG 2006	402	\$0.60
25 AUG 2006	408	\$0.60
1 SEPT 2006	<i>Information not available at time of publication.</i>	
8 SEPT 2006		

NOVEMBER 2006						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

Lufthansa's FSC methodology is generally accepted as the industry benchmark.

Not all carriers follow this model implicitly, but the LH index is a good weathervane for current fuel cost and surcharge conditions.

*KWE's Industry Update is a publication designed to provide meaningful insights to today's transportation and logistics market. We encourage our readers to submit suggestions regarding topics that they would like see covered in future issues. While KWE cannot cover each and every topic, we will do our best to provide as full coverage as possible.*

*The Industry Update is distributed to our key client contacts, if you feel that there are other parties in your organization who would benefit from receiving this publication, please send their contact information to [marketing@am.kwe.com](mailto:marketing@am.kwe.com), and we will add these individuals to our distribution list.*